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APPENDIX A

Section II of Terms of Reference: NIE-65

II. ECONOMIC FACTORS AFFECTING SOVIET CAPABILITIES FOR POLITICAL AND MILITARY WARFARE

This section seeks to estimate the development of Bloc economic capabilities through 1957 and to ascertain the implications of these developments for Bloc capabilities for both political and military warfare. This study involves a re-examination of all basic economic estimates in order to provide a sound foundation for the projection of Soviet Bloc economic capabilities into the future. In order to derive a clear picture of the long-run trend of economic developments in the Bloc, this section should be based upon an analysis of economic trends in the USSR since 1927-1928.

The topics that should be most carefully covered include:

A. Indicators of economic strength, and their past and probable future trends.

1. Production of key materials, and services, products (including agricultural), and weapons.
2. Operational stockpiles of key items.
3. Changes in population.

B. Allocation of gross national product, and its past and probable future trends.

1. Allocation to investment, defense, and consumption.
2. Allocation among industries.
3. Allocation among Bloc economies.

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- C. Dependence of the Bloc on outside areas for economic development.
  - 1. Pattern of trade as it affects the Bloc economy.
  - 2. Significance of foreign capital equipment, technical assistance, and materials for maintaining and expanding the Bloc economy.
- D. Contribution to Bloc strength made by the economies of the European Satellites and Communist China, in the past as well as in the future.
  - 1. Pattern of intra-Bloc trade.
  - 2. Contributions in production of key items.
  - 3. Ability of Bloc to integrate its economies.
- E. Ability of the Bloc to expand military production.
  - 1. Aggregate availability of resources for military production.
  - 2. Indications concerning Bloc program for production of newly-developed weapons and weapons systems.
  - 3. Production capacities for military end items.
  - 4. Indications of planned expansion of military production.
- F. Development of Soviet dispersal of industry program.
  - 1. Trends toward decentralization of production within industries.
  - 2. Trends toward Regional decentralization.
  - 3. Probable development of transportation system.
- G. Which economic factors represent major points of vulnerability?
- H. What will be the ability of the Bloc economy to support increased effort for political and economic warfare?